



State of Arizona
Department of Education

Tom Horne
Superintendent of
Public Instruction

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MEMORANDUM

TO: Sponsors of the National School Lunch Program

FROM: Mary Szafranski, Deputy Associate Superintendent
Arizona Department of Education, Health and Nutrition Services

Lee Renda, NSLP Nutrition Director
Lynn Ladd, NSLP Health Director
National School Lunch Program

DATE: January 26, 2008

SUBJECT: Additional Administrative Reviews, State Retention of Improperly Paid Fund and applicable Questions & Answers

Original Signed

The Child Nutrition and WIC Reauthorization Act of 2004 (Pub. L. 108-265) directed State Agencies to conduct additional administrative reviews (Coordinated Review Effort) of LEA's outside of the required CRE 5 year review schedule.

A large nationwide study known as the Access, Participation, Eligibility and Certification (APEC) Study of the National School Lunch and School Breakfast Programs was launched by the Food and Nutrition Service (FNS) during the 2005-2006 school year. The recently released APEC data indicates that erroneous payments (including both under- and over-payments) totaled \$935 million in certification errors, and \$860 million in non-certification errors nationwide. Thus, the FNS and State agencies will increase the level of NSLP and SBP oversight to reduce the errors identified in the study.

Based on the APEC study, USDA has identified the following three factors to be used as criteria to indicate a "high risk for error criteria" in selecting LEAS's for additional administrative reviews.

- **Establishment of a new Provision 2/3 base year since the previous CRE was conducted.** The APEC study found that schools in Provision 2/3 base years, on average, experience higher erroneous payment rates than other schools (1.75 times higher for NSLP).

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- **Verification data indicating a high-level (e.g. top 25% among SFAs within a State) of non-response or response-based terminations.** CFR 245.11 (i) requires annual collection and aggregation of verification data; this verification data serves as the primary source of information on the accuracy of the eligibility determination process.
- **Consistently claiming over 90% free eligibles or 80% reduced price eligibles.** These figures are considerably above the national averages; consistent claims in this range may signal reporting errors.

ADE with the approval of USDA may use other risk based criteria in selecting LEA's for additional administrative reviews. The number of additional administrative reviews is determined by the number of LEAs and the total state reimbursement in Arizona. The LEAs selected for an Additional Administrative review will be contacted by ADE. The Additional Administrative review is similar to the CRE process and will cover the following areas: application, certification, verification, meal counting, and meal claiming procedures (please see below for more detail).

Optional State Retention of Improperly-Paid Funds

ADE has the option to keep or send back to USDA up to 25% of the fiscal action funds that are recovered as a result of the CRE. ADE will return all fiscal action funds that are recovered as a result of the CRE to USDA.

Questions and Answers pertaining to Additional Administrative Reviews

1. What does an additional administrative review mean in the National School Lunch Program (NSLP)?

As defined by the statute, an additional administrative review in the NSLP includes a review of applications, certification, verification, meal counting and meal claiming procedures. These areas are those covered by CRE Performance Standard 1 (PS1) and the verification component of the general areas of review. The CRE procedures for these areas, as specified in 7 CFR 210.18, should be used to conduct the additional review(s) unless alternate procedures are approved by FNS. If an additional administrative review results in significant findings, the SA must conduct a follow-up review to confirm that required corrective actions have been taken.

Note: Follow-up as part of the regular CRE process does not fulfill the expanded statutory requirements establishing the additional administrative review.

2. One of the suggested criteria for determining "high risk" in the selection of SFAs for additional administrative reviews is those SFAs with verification data that indicate a high level of non-response or response-based terminations. In small districts, one non-response can cause the SFA to have a very high non-response rate. Should these small SFAs always be selected?

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No, not necessarily. For example, if the SA uses verification errors to select their SFAs for additional administrative reviews, it does not have to choose all SFAs in the top 25%.

Flexibility for SA discretion was purposely built into the risk criteria selection procedures. A State does not have to use any one particular risk criterion to select the additional SFAs to be reviewed, but may pick and choose among the recommended criteria or use their own.

3. Another suggested criterion for determining “high risk” in the selection of SFAs for additional administrative reviews is those SFAs consistently claiming over 90% free eligibles or 80% reduced price eligibles. Does this apply to the entire SFA or to sites within the SFA?

This suggested criterion refers to the SFA as a whole.

4. What are examples of alternate risk-based criteria that must be reported to FNS?

SP 28-2008 provides three suggestions of criteria SAs may use for selecting an SFA to review. If an SA chooses to use any other criteria, then the SA must report it to FNS.

5. Does the SA report the alternate criteria to the Regional Office or Headquarters?

The SA should report the alternate criteria to the Regional Office. However, Headquarters may collect information from the Regional Offices to examine national trends in alternate criteria.

6. How does an SA select the number of SFAs for additional review?

There are two requirements for selecting the number of SFAs to be reviewed. First, SAs must conduct additional administrative reviews on no less than 1% of the SFAs in the state. Although SP 28-2008 states the minimum is determined by the “percent of SFAs undergoing CRE Reviews,” the intention is that 1% of all of the SFAs in the State will be subject to these additional administrative reviews annually. If the calculation does not yield a whole number, the SA should round up to the next highest whole number to determine the minimum number of required additional administrative reviews.

Second, SAs must select enough SFAs for additional administrative reviews to ensure that the reviews cover at least 3% of the statewide reimbursement. SAs do not have to choose their largest school districts; rather, they must select the SFAs such that their combined reimbursements comprise at least 3% of the State total.

These requirements provide the minimum number of additional required reviews; States may choose to conduct more reviews.

The following example demonstrates how to determine the minimum number of additional administrative reviews that must be conducted.

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By the first requirement, the minimum number of additional reviews is no less than 1% of all SFAs in the state.

Number of SFAs in State X during SY 2008-2009	200
Minimum Percentage = 1%	x1%
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Minimum Number of Additional Administrative Reviews	2

By the second requirement, the total reimbursements for the SFAs selected for additional administrative reviews must cover at least 3% of total statewide reimbursements.

- 1) Determine the minimum amount of reimbursements that must be covered by the SFAs.

Total Statewide Reimbursements	\$1,000,000
Minimum Percentage = 3%	x3%
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Minimum Total Reimbursement Covered by SFAs	\$30,000

- 2) Determine if the total reimbursements of the SFAs chosen by the first requirement meet the minimum amount of total reimbursement specified by the second requirement.

Scenario 1

SFA #1 Reimbursement	\$25,000
SFA #2 Reimbursement	+\$20,000
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Total Reimbursement Amount of Additional SFAs to Review	\$45,000

Since the sum of the reimbursements for SFA #1 and SFA #2 is *greater than* \$30,000, no additional SFAs need to be chosen for review.

Scenario 2

SFA #1 Reimbursement	\$10,000
SFA #2 Reimbursement	\$15,000
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Total Reimbursement Amount of Additional SFAs to Review	\$25,000

Since the sum of the reimbursements for SFA #1 and SFA #2 is *less than* \$30,000, additional SFAs need to be chosen for review until the sum of their reimbursements is at least \$30,000.

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7. For calculation purposes, does “total reimbursement” include School Breakfast Program (SBP) and Fresh Fruit and Vegetable Program (FFVP) funds, or just NSLP funds?

For the purpose of this calculation, the total reimbursement to an SFA includes only the NSLP funding because NSLP is the primary focus of the CRE. Review of other programs, i.e. SBP, FFVP, etc., are optional during the initial CRE.

8. Due to several States being comprised of many very small SFAs, can SAs be granted waivers/exceptions due to the “undue burden” of our minimum requirements on the number of additional administrative reviews that must be conducted?

States are expected to fulfill the requirements. With significant flexibility in selection criteria, SAs should be able to choose SFAs for additional reviews such that the reviews are manageable and meet the requirements. Moreover, the availability of ART grants and retained funds should facilitate this process. States with limited resources should contact their Regional Office; however, States in such a situation this year are encouraged to focus their efforts on their larger SFAs if these SFAs receive a large portion of the reimbursements.

9. Can an SA count any technical review towards the minimum number of required additional administrative reviews? What are other examples of types of reviews that could count?

Additional CREs (those above and beyond the minimum cycle) and/or additional administrative reviews that cover all CRE components except Performance Standard 2 could be counted toward the minimum required additional administrative reviews, as long as the SFAs reviewed meet the criteria for being at high risk for error.

10. Since the additional administrative reviews are separate from the CRE, is it necessary to conduct another School Meal Initiative (SMI) review in these schools/SFAs as part of the additional administrative reviews?

No, an additional SMI is not required.

11. To limit burden on SAs, would they have the option to focus only on administrative issues where problems have been demonstrated in a particular SFA, or does each additional administrative review require them to look at all CRE aspects, with the exception of Performance Standard 2?

Yes, SAs do have flexibility to focus their additional administrative reviews on problem areas, especially when it promotes efficiency. Such alternate plans must be submitted to the Regional Office for approval by FNS.

12. Are SAs able to do desk reviews in lieu of following the CRE Performance Standard 1 and the verification component of the general areas of the view?

Maybe. Desk reviews, like other alternate review procedures, need approval from FNS and should be submitted to the Regional Office for approval by FNS.

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- 13.** When selecting schools to review within a selected SFA, is the State required to use the normal CRE selection procedures or can they target particular schools where problems have been demonstrated?

SAs are able to target particular schools and they do not need approval to do so.

- 14.** Are the additional administrative reviews reported on the FNS-640?

No, but SAs need to maintain the appropriate documentation showing they have met the requirements.

Please contact your School Health and Nutrition Specialist at 6020-542-8700 if you have any additional questions.

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